

H.R.3426

Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (Introduced in the House)

TITLE IV--RURAL PROVIDER PROVISIONS

Subtitle A--Rural Hospitals

SEC. 401. PERMITTING RECLASSIFICATION OF CERTAIN URBAN HOSPITALS AS RURAL HOSPITALS.

(a) IN GENERAL- Section 1886(d)(8) (42 U.S.C. 1395ww(d)(8)) is amended by adding at the end the following new subparagraph:

`(E)(i) For purposes of this subsection, not later than 60 days after the receipt of an application (in a form and manner determined by the Secretary) from a subsection (d) hospital described in clause (ii), the Secretary shall treat the hospital as being located in the rural area (as defined in paragraph (2)(D)) of the State in which the hospital is located.

`(ii) For purposes of clause (i), a subsection (d) hospital described in this clause is a subsection (d) hospital that is located in an urban area (as defined in paragraph (2)(D)) and satisfies any of the following criteria:

`(I) The hospital is located in a rural census tract of a metropolitan statistical area (as determined under the most recent modification of the Goldsmith Modification, originally published in the Federal Register on February 27, 1992 (57 Fed. Reg. 6725)).

`(II) The hospital is located in an area designated by any law or regulation of such State as a rural area (or is designated by such State as a rural hospital).

`(III) The hospital would qualify as a rural, regional, or national referral center under paragraph (5)(C) or as a sole community hospital under paragraph (5)(D) if the hospital were located in a rural area.

`(IV) The hospital meets such other criteria as the Secretary may specify.'.

(b) CONFORMING CHANGES- (1) Section 1833(t) (42 U.S.C. 1395l(t)), as amended by sections 201 and 202, is further amended by adding at the end the following new paragraph:

`(13) MISCELLANEOUS PROVISIONS-

`(A) APPLICATION OF RECLASSIFICATION OF CERTAIN HOSPITALS- If a hospital is being treated as being located in a rural area under

section 1886(d)(8)(E), that hospital shall be treated under this subsection as being located in that rural area.'.

(2) Section 1820(c)(2)(B)(i) (42 U.S.C. 1395i-4(c)(2)(B)(i)) is amended, in the matter preceding subclause (I), by inserting 'or is treated as being located in a rural area pursuant to section 1886(d)(8)(E)' after 'section 1886(d)(2)(D))'.

(c) EFFECTIVE DATE- The amendments made by this section shall become effective on January 1, 2000.

#### SEC. 402. UPDATE OF STANDARDS APPLIED FOR GEOGRAPHIC RECLASSIFICATION FOR CERTAIN HOSPITALS.

(a) IN GENERAL- Section 1886(d)(8)(B) (42 U.S.C. 1395ww(d)(8)(B)) is amended--

(1) by inserting '(i)' after '(B)';

(2) by striking 'published in the Federal Register on January 3, 1980' and inserting 'described in clause (ii)'; and

(3) by adding at the end the following new clause:

'(ii) The standards described in this clause for cost reporting periods beginning in a fiscal year--

'(I) before fiscal year 2003, are the standards published in the Federal Register on January 3, 1980, or, at the election of the hospital with respect to fiscal years 2001 and 2002, standards so published on March 30, 1990; and

'(II) after fiscal year 2002, are the standards published in the Federal Register by the Director of the Office of Management and Budget based on the most recent available decennial population data.

Subparagraphs (C) and (D) shall not apply with respect to the application of subclause (I).'

(b) EFFECTIVE DATE- The amendments made by subsection (a) apply with respect to discharges occurring during cost reporting periods beginning on or after October 1, 1999.

#### SEC. 403. IMPROVEMENTS IN THE CRITICAL ACCESS HOSPITAL (CAH) PROGRAM.

(a) APPLYING 96-HOUR LIMIT ON AN ANNUAL, AVERAGE BASIS-

(1) IN GENERAL- Section 1820(c)(2)(B)(iii) (42 U.S.C. 1395i-4(c)(2)(B)(iii)) is amended by striking 'for a period not to exceed 96 hours' and all that follows and inserting 'for a period that does not exceed, as determined on an annual, average basis, 96 hours per patient,'.

(2) EFFECTIVE DATE- The amendment made by paragraph (1) takes effect on the date of the enactment of this Act.

(b) PERMITTING FOR-PROFIT HOSPITALS TO QUALIFY FOR DESIGNATION AS A CRITICAL ACCESS HOSPITAL- Section 1820(c)(2)(B)(i) (42 U.S.C. 1395i-4(c)(2)(B)(i)) is amended in the matter preceding subclause (I), by striking 'nonprofit or public hospital' and inserting 'hospital'.

(c) ALLOWING CLOSED OR DOWNSIZED HOSPITALS TO CONVERT TO CRITICAL ACCESS HOSPITALS- Section 1820(c)(2) (42 U.S.C. 1395i-4(c)(2)) is amended--

(1) in subparagraph (A), by striking 'subparagraph (B)' and inserting 'subparagraphs (B), (C), and (D)'; and

(2) by adding at the end the following new subparagraphs:

'(C) RECENTLY CLOSED FACILITIES- A State may designate a facility as a critical access hospital if the facility--

'(i) was a hospital that ceased operations on or after the date that is 10 years before the date of the enactment of this subparagraph; and

'(ii) as of the effective date of such designation, meets the criteria for designation under subparagraph (B).

'(D) DOWNSIZED FACILITIES- A State may designate a health clinic or a health center (as defined by the State) as a critical access hospital if such clinic or center--

'(i) is licensed by the State as a health clinic or a health center;

'(ii) was a hospital that was downsized to a health clinic or health center; and

'(iii) as of the effective date of such designation, meets the criteria for designation under subparagraph (B).'

(d) ELECTION OF COST-BASED PAYMENT OPTION FOR OUTPATIENT CRITICAL ACCESS HOSPITAL SERVICES-

(1) IN GENERAL- Section 1834(g) (42 U.S.C. 1395m(g)) is amended to read as follows:

'(g) PAYMENT FOR OUTPATIENT CRITICAL ACCESS HOSPITAL SERVICES-

'(1) IN GENERAL- The amount of payment for outpatient critical access hospital services of a critical access hospital is the reasonable costs of the hospital in providing such services, unless the hospital makes the election under paragraph (2).

'(2) ELECTION OF COST-BASED HOSPITAL OUTPATIENT SERVICE PAYMENT PLUS FEE SCHEDULE FOR PROFESSIONAL SERVICES- A critical access hospital may elect to be paid for outpatient critical access hospital services amounts equal to the sum of the following, less the amount that such hospital

may charge as described in section 1866(a)(2)(A):

`(A) FACILITY FEE- With respect to facility services, not including any services for which payment may be made under subparagraph (B), the reasonable costs of the critical access hospital in providing such services.

`(B) FEE SCHEDULE FOR PROFESSIONAL SERVICES- With respect to professional services otherwise included within outpatient critical access hospital services, such amounts as would otherwise be paid under this part if such services were not included in outpatient critical access hospital services.

`(3) DISREGARDING CHARGES- The payment amounts under this subsection shall be determined without regard to the amount of the customary or other charge.'.

(2) EFFECTIVE DATE- The amendment made by subsection (a) shall apply for cost reporting periods beginning on or after October 1, 2000.

(e) ELIMINATION OF COINSURANCE FOR CLINICAL DIAGNOSTIC LABORATORY TESTS FURNISHED BY A CRITICAL ACCESS HOSPITAL ON AN OUTPATIENT BASIS-

(1) IN GENERAL- Paragraphs (1)(D)(i) and (2)(D)(i) of section 1833(a) (42 U.S.C. 1395l(a)) are each amended by inserting `or which are furnished on an outpatient basis by a critical access hospital' after `on an assignment-related basis'.

(2) EFFECTIVE DATE- The amendments made by paragraph (1) shall apply to services furnished on or after the date of the enactment of this Act.

(f) PARTICIPATION IN SWING BED PROGRAM- Section 1883 (42 U.S.C. 1395tt) is amended--

(1) in subsection (a)(1), by striking `(other than a hospital which has in effect a waiver under subparagraph (A) of the last sentence of section 1861(e))'; and

(2) in subsection (c), by striking `, or during which there is in effect for the hospital a waiver under subparagraph (A) of the last sentence of section 1861(e)'.

SEC. 404. 5-YEAR EXTENSION OF MEDICARE DEPENDENT HOSPITAL (MDH) PROGRAM.

(a) EXTENSION OF PAYMENT METHODOLOGY- Section 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is amended--

(1) in clause (i), by striking `and before October 1, 2001,' and inserting `and before October 1, 2006,'; and

(2) in clause (ii)(II), by striking `and before October 1, 2001,' and inserting `and before October 1, 2006,'.

(b) CONFORMING AMENDMENTS-

(1) EXTENSION OF TARGET AMOUNT- Section 1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)) is amended--

(A) in the matter preceding clause (i), by striking `and before October 1, 2001,' and inserting `and before October 1, 2006,'; and

(B) in clause (iv), by striking `during fiscal year 1998 through fiscal year 2000' and inserting `during fiscal year 1998 through fiscal year 2005'.

(2) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION- Section 13501(e)(2) of Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. 1395ww note), as amended by section 4204(a)(3) of BBA, is amended by striking `or fiscal year 2000' and inserting `or fiscal year 2000 through fiscal year 2005'.

#### SEC. 405. REBASING FOR CERTAIN SOLE COMMUNITY HOSPITALS.

Section 1886(b)(3) (42 U.S.C. 1395ww(b)(3)) is amended--

(1) in subparagraph (C), by inserting `subject to subparagraph (I),' before `the term `target amount' means'; and

(2) by adding at the end the following new subparagraph:

`(I)(i) For cost reporting periods beginning on or after October 1, 2000, in the case of a sole community hospital that for its cost reporting period beginning during 1999 is paid on the basis

of the target amount applicable to the hospital under subparagraph (C) and that elects (in a form and manner determined by the Secretary) this subparagraph to apply to the hospital, there shall be substituted for such target amount--

`(I) with respect to discharges occurring in fiscal year 2001, 75 percent of the target amount otherwise applicable to the hospital under subparagraph (C) (referred to in this clause as the `subparagraph (C) target amount') and 25 percent of the rebased target amount (as defined in clause (ii));

`(II) with respect to discharges occurring in fiscal year 2002, 50 percent of the subparagraph (C) target amount and 50 percent of the rebased target amount;

`(III) with respect to discharges occurring in fiscal year 2003, 25 percent of the subparagraph (C) target amount and 75 percent of the rebased target amount; and

`(IV) with respect to discharges occurring after fiscal year 2003, 100 percent of the rebased target amount.

`(ii) For purposes of this subparagraph, the `rebased target amount' has the meaning given the term `target amount' in subparagraph (C) except that--

`(I) there shall be substituted for the base cost reporting period the 12-month cost reporting period beginning during fiscal year 1996;

`(II) any reference in subparagraph (C)(i) to the `first cost reporting period' described

in such subparagraph is deemed a reference to the first cost reporting period beginning on or after October 1, 2000; and

`(III) applicable increase percentage shall only be applied under subparagraph (C)(iv) for discharges occurring in fiscal years beginning with fiscal year 2002.'

#### SEC. 406. ONE YEAR SOLE COMMUNITY HOSPITAL PAYMENT INCREASE.

Section 1886(b)(3)(B)(i) (42 U.S.C. 1395ww(b)(3)(B)(i)) is amended--

(1) by redesignating subclause (XVII) as subclause (XVIII);

(2) by striking subclause (XVI); and

(3) by inserting after subclause (XV) the following new subclauses:

`(XVI) for fiscal year 2001, the market basket percentage increase minus 1.1 percentage points for hospitals (other than sole community hospitals) in all areas, and the market basket percentage increase for sole community hospitals,

`(XVII) for fiscal year 2002, the market basket percentage increase minus 1.1 percentage points for hospitals in all areas, and'.

#### SEC. 407. INCREASED FLEXIBILITY IN PROVIDING GRADUATE PHYSICIAN TRAINING IN RURAL AND OTHER AREAS.

(a) COUNTING PRIMARY CARE RESIDENTS ON CERTAIN APPROVED LEAVES OF ABSENCE IN BASE YEAR FTE COUNT-

(1) PAYMENT FOR DIRECT GRADUATE MEDICAL EDUCATION- Section 1886(h)(4)(F) (42 U.S.C. 1395ww(h)(4)(F)) is amended--

(A) by redesignating the first sentence as clause (i) with the heading `IN GENERAL- ' and appropriate indentation; and

(B) by adding at the end the following new clause:

`(ii) COUNTING PRIMARY CARE RESIDENTS ON CERTAIN APPROVED LEAVES OF ABSENCE IN BASE YEAR FTE COUNT-

`(I) IN GENERAL- In determining the number of such full-time equivalent residents for a hospital's most recent cost reporting period ending on or before December 31, 1996, for purposes of clause (i), the Secretary shall count an individual to the extent that the individual would have been counted as a primary care resident for such period but for the fact that the individual, as determined by the Secretary, was on maternity or disability leave or a similar approved leave of absence.

`(II) LIMITATION TO 3 FTE RESIDENTS FOR ANY HOSPITAL- The total number of individuals counted under subclause (I) for a hospital may not exceed 3 full-time equivalent residents.'

(2) PAYMENT FOR INDIRECT MEDICAL EDUCATION- Section 1886(d)(5)(B)(v) (42 U.S.C. 1395ww(d)(5)(B)(v)) is amended by adding at the end the following: `Rules similar to the rules of subsection (h)(4)(F)(ii) shall apply for purposes of this clause.'

(3) EFFECTIVE DATE-

(A) DGME- The amendments made by paragraph (1) apply to cost reporting periods that begin on or after the date of the enactment of this Act.

(B) IME- The amendment made by paragraph (2) applies to discharges occurring in cost reporting periods that begin on or after such date of enactment.

(b) PERMITTING 30 PERCENT EXPANSION IN CURRENT GME TRAINING PROGRAMS FOR HOSPITALS LOCATED IN RURAL AREAS-

(1) PAYMENT FOR DIRECT GRADUATE MEDICAL EDUCATION- Section 1886(h)(4)(F)(i) (42 U.S.C. 1395ww(h)(4)(F)(i)), as amended by subsection (a)(1), is amended by inserting `(or, 130 percent of such number in the case of a hospital located in a rural area)' after `may not exceed the number'.

(2) PAYMENT FOR INDIRECT MEDICAL EDUCATION- Section 1886(d)(5)(B)(v) (42 U.S.C. 1395ww(d)(5)(B)(v)) is amended by inserting `(or, 130 percent of such number in the case of a hospital located in a rural area)' after `may not exceed the number'.

(3) EFFECTIVE DATES-

(A) DGME- The amendment made by paragraph (1) applies to cost reporting periods beginning on or after April 1, 2000.

(B) IME- The amendment made by paragraph (2) applies to discharges occurring on or after April 1, 2000.

(c) SPECIAL RULE FOR NONRURAL FACILITIES SERVING RURAL AREAS-

(1) IN GENERAL- Section 1886(h)(4)(H) (42 U.S.C. 1395ww(h)(4)(H)) is amended by adding at the end the following new clause:

`(iv) NONRURAL HOSPITALS OPERATING TRAINING PROGRAMS IN RURAL AREAS- In the case of a hospital that is not located in a rural area but establishes separately accredited approved medical residency training programs (or rural tracks) in an rural area or has an accredited training program with an integrated rural track, the Secretary shall adjust the limitation under subparagraph (F) in an appropriate manner insofar as it applies to such programs in such rural

areas in order to encourage the training of physicians in rural areas.'

(2) EFFECTIVE DATE- The amendment made by paragraph (1) applies with respect to--

(A) payments to hospitals under section 1886(h) of the Social Security Act (42 U.S.C. 1395ww(h)) for cost reporting periods beginning on or after April 1, 2000; and

(B) payments to hospitals under section 1886(d)(5)(B)(v) of such Act (42 U.S.C. 1395ww(d)(5)(B)(v)) for discharges occurring on or after April 1, 2000.

(d) NOT COUNTING AGAINST NUMERICAL LIMITATION CERTAIN INTERNS AND RESIDENTS TRANSFERRED FROM A VA RESIDENCY PROGRAM THAT LOSES ACCREDITATION-

(1) IN GENERAL- Any applicable resident described in paragraph (2) shall not be taken into account in applying any limitation regarding the number of residents or interns for which payment may be made under section 1886 of the Social Security Act (42 U.S.C. 1395ww).

(2) APPLICABLE RESIDENT DESCRIBED- An applicable resident described in this paragraph is a resident or intern who--

(A) participated in graduate medical education at a facility of the Department of Veterans Affairs;

(B) was subsequently transferred on or after January 1, 1997, and before July 31, 1998, to a hospital that was not a Department of Veterans Affairs facility; and

(C) was transferred because the approved medical residency program in which the resident or intern participated would lose accreditation by the Accreditation Council on Graduate Medical Education if such program continued to train residents at the Department of Veterans Affairs facility.

(3) EFFECTIVE DATE-

(A) IN GENERAL- Paragraph (1) applies as if included in the enactment of BBA.

(B) RETROACTIVE PAYMENTS- If the Secretary of Health and Human Services determines that a hospital operating an approved medical residency program is owed payments as a result of enactment of this subsection, the Secretary shall make such payments not later than 60 days after the date of the enactment of this Act.

#### SEC. 408. ELIMINATION OF CERTAIN RESTRICTIONS WITH RESPECT TO HOSPITAL SWING BED PROGRAM.

(a) ELIMINATION OF REQUIREMENT FOR STATE CERTIFICATE OF NEED-



Section 1883(b) (42 U.S.C. 1395tt(b)) is amended to read as follows:

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